

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK  
RATIONALIZATION SERVICE CHANGES, 2012

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MASSE  
TO NALC INTERROGATORIES NALC/USPS-T2-1 THROUGH 6  
(February 2, 2012)**

The United States Postal Service hereby provides the responses of witness Stephen Masse to the above-listed interrogatories of the National Association of Letter Carriers. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS MASSE TO NALC INTERROGATORY

**NALC/USPS-T2-1**

On page 12, line 3 of your testimony, you state that “the net annualized savings will take time to be realized fully.” Does USPS have an estimate of how long it will take for the net annualized savings to be realized fully? If so, please explain the basis for such estimate.

**RESPONSE:**

No.

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**NALC/USPS-T2-2**

On page 12, line 4 of your testimony, you refer to “implementation expenses.” Please explain what these implementation expenses are, provide any estimate that USPS has of the amount of these expenses, and explain how USPS arrived at such estimate.

**RESPONSE:**

Implementation costs are specific to each AMP and include, for example, the costs of capital expenditures for facility modifications or material handling projects. The capital expenditure for these facilities projects has been estimated by internal Postal Service subject matter experts at \$191 million. This estimate was based on overall averages and not on any specific projects. As such, these estimates must be considered preliminary. The cost of transporting equipment between plants has been estimated to be \$124 million, based on standard costs for equipment relocation applied to the projected equipment set. There will also be some costs for relocating employees, primarily bargaining employees, which in the past have averaged less than \$6,000 per bargaining employee. There will no doubt be other miscellaneous costs, which the Postal Service has not estimated, that are not expected to be material when compared to the overall savings generated by the initiative.

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**NALC/USPS-T2-3**

Did USPS make any effort to measure or estimate the transition costs that USPS would incur in its implementation of the proposed mail processing network rationalization? If so, please provide these measures or estimates and explain how USPS arrived at them.

**RESPONSE:**

We regard “transition costs” and “implementation costs” to be the same.

Therefore, please see the response to NPMHU/USPS-T2-2 above.

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**NALC/USPS-T2-4**

Has USPS made an inquiry into, or undertaken any study of, what it would require in terms of time, effort and expense to reverse the proposed mail processing network rationalization if, after implementation, it turns out that USPS's estimate of the net annualized savings was a gross underestimate?

**RESPONSE:**

No.

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**NALC/USPS-T2-5**

Did USPS conduct, or request anyone else to conduct, any econometric studies in connection with USPS's effort to assess how much the proposed mail processing network rationalization service changes would reduce demand for USPS's services or would reduce mail volume, revenue or contribution? If not, why not? If yes, please provide copies of such studies.

**RESPONSE:**

The Postal Service conducted the survey-based study described by witnesses Whiteman and Elmore-Yalch in part because of the impracticality of using an econometric model to calculate the volume, revenue, and contribution losses associated with the network rationalization initiative. The econometric models used by the Postal Service are based on historical events; as such, the models cannot account for types of events that have not previously occurred. Because the Postal Service has not previously made a significant, systematic change to its service standards, econometric models are not as well suited as survey models to assessing the impact of such a change.

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**NALC/USPS-T2-6**

Do you agree with the statement that “[i]n the long term, the Postal Service is best served by a focus on additional ways to add value to customers and other stakeholders such as employees”? (Sept. 23, 2010 testimony of Dr. Peter Boatwright on behalf of USPS, in Docket No. N2010-1, page 27, lines 19-20). If so, in what ways, if any, does USPS plan to add value to customers and other stakeholders.

**RESPONSE:**

In a general sense, yes, I agree. However, that certainly does not preclude the need for a full range of strategies, including cost-saving strategies, to create a healthy and viable Postal Service. The Postal Service continually pursues ways to add value to customers, such as new products, new channels to access the Postal Service, etc.